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DEPARTMENT FOR EAP/MLS, H  
FROM THE AMBASSADOR FOR SENATOR HAGEL

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SUBJECT: SCENESETTER FOR SENATOR HAGEL

HANOI 00002420 001.2 OF 004

#### Introduction

¶1. (SBU) Senator Hagel: Vietnam looks forward to welcoming you to Hanoi. Your visit will be an important step in strengthening our cooperative relationship with Vietnam while bringing into focus key issues, including those our two countries will need to address in the run-up to the President's visit. With Vietnam's new senior leadership now in place following the 10th Communist Party Congress in April, now is the perfect time to stress to your interlocutors the United States' desire to highlight our mutual interests and deepen our engagement with Vietnam. Vietnam's new leadership will play a critical role in maintaining a positive trajectory in our bilateral relationship in the years to come.

¶2. (SBU) The bilateral relationship has enjoyed positive momentum over the past 18 months, thanks in part to a series of high-level bilateral visits, including that of then-Prime Minister Phan Van Khai, to the United States and of Secretaries Rumsfeld, Nicholson and Leavitt, and USTR Schwab

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to Vietnam. Two other reasons for the positive trend in relations have been Vietnam's wish to join the WTO and its desire for a successful APEC 2006 and a visit by President Bush. Both WTO and APEC are seen here as hallmarks of Vietnam's emergence on the global stage.

¶3. (SBU) Looking beyond discrete events and visits, our relationship is strengthening due to two factors. First, the United States represents an important force in the maintenance of a stable Asian geopolitical environment in which even "small" countries like Vietnam are assured their independence and freedom of action. Perhaps more important as a factor for change, the United States has also emerged as a vital source of financial and technical assistance and a huge market for Vietnamese goods. Since the signing of our Bilateral Trade Agreement in 2001, our two-way trade volume has quintupled. For these reasons, Vietnam's new leaders are committed to continued progress in bilateral relations and will likely speak warmly and optimistically about the future of the U.S.-Vietnam relationship.

¶4. (SBU) During your visit, we hope that you will:

-- underline that President Bush's November visit can provide an opportunity for the United States and Vietnam to advance our bilateral agenda in a number of areas, including through the conclusion of several government-to-government and commercial agreements;

-- express USG support for Vietnam's WTO accession while explaining that the U.S. Congress now has the lead on PNTR;

-- encourage further economic reform and pro-business regulations to attract and maintain investors' interest in Vietnam;

-- suggest that Vietnam's efforts to emerge on the world stage, including its aspirations to join the UN Security Council (UNSC) in 2008-2009, mean that it will necessarily have to start taking public positions on certain issues of global concern, such as Iran, Burma and North Korea.

#### President Bush's Visit

15. (SBU) In the run-up to then Prime Minister Phan Van Khai's visit to the United States last summer, the Vietnamese bureaucracy was ordered to be proactive in reaching a number of agreements with the United States. We expect that the President's visit will be a similar action-forcing event, and we hope that you will stress to Vietnam's senior leadership the need to accelerate action on a number of positive developments we hope to conclude in the months ahead. For example, we are looking for progress in deals involving Boeing aircraft, port development and power plants, as well as closure on a number of official agreements, including the establishment of a Peace Corps program and a maritime agreement. We are separately providing a paper on deliverables which list these initiatives and provides a state of play.<sup>8</sup>

#### The Economy and WTO

16. (SBU) Vietnam today is fueled by a dynamic economy, which grew at a rate of 8.4 percent last year. Per capita annual income jumped from about USD 220 in 1994 to USD 638 in 2005.

HANOI 00002420 002.2 OF 004

The 20-year-old economic reform program known as "Doi Moi" (renovation) has been effective in promoting market-oriented changes and improving the quality of life for many Vietnamese. Foreign trade and foreign direct investment have increased dramatically and poverty rates have dropped. Vietnam's chief exports are crude oil, textiles, footwear and aquatic products. The United States is currently Vietnam's third largest overall trade partner (behind China and Japan), but its largest export market.

17. (SBU) The economy still faces challenges, however, from the problems caused by difficulties in transforming old command-economy structures, systemic corruption and the slow pace of reform in many areas. The banking system, in particular, suffers from a lack of transparency and inadequate managerial and auditing standards, deterring foreign investors who might otherwise inject new inflows into the financial sector and limiting potential growth across all sectors of the economy.

18. (SBU) The United States and Vietnam reached a bilateral market access agreement in May, paving the way for Vietnam's WTO accession. The Vietnamese will no doubt press you on the PNTR vote in Congress in advance of the President's arrival for APEC. Accession in the next two months is seen here as critical because of Vietnam's role as APEC host. Vietnam does not want to be the first-ever APEC host that is not also a WTO member. Time may be running short, however, as, in addition to the PNTR vote, there are a number of hurdles the Vietnamese still face in a final round of multilateral negotiations in Geneva.

#### Role for U.S. Firms

¶9. (SBU) Vietnam's need to modernize and improve its infrastructure creates opportunities for U.S. firms. The quality and cost of Vietnam's telecommunications, ports, transportation and waste management infrastructure, as well as its supplies of power and fresh water, are significant concerns for any investor. The foundation of the information highway is a competitive telecommunications system, a glaring weakness here. Electricity blackouts occur and are also a major disincentive for any new investment. Furthermore, Vietnam must improve its handling of solid and industrial waste. Already some manufacturing firms are putting their expansion plans on hold because the Port of Saigon will reach capacity by December 2006. U.S. firms can help Vietnam address these concerns. Several U.S. companies are actively pursuing contracts to address these infrastructure needs.

¶10. (SBU) Your meetings with GVN officials will provide an opportunity to advocate on behalf of a number of pending commercial projects involving U.S. businesses, noting competitive advantage that U.S. companies, experience and high standards offer.

#### Vietnam on the Global Stage

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¶11. (SBU) On issues of regional and global concern, such as terrorism, proliferation and the rise of China, the Vietnamese are coming to understand that they share interests with the United States. Among these shared interests is ensuring that China "rises peacefully" and is not allowed to dominate the region or regional organizations. Vietnam's relations with China are complex. Both countries share similar forms of government and ideological beliefs, but they also share a long history of conflicts and disagreements. China is a major economic partner of Vietnam, but also is a competitor in many economic areas as well. Vietnam-China bilateral talks have cooled frictions about disputed border claims, but some are still unresolved claims, including in the Paracel and Spratly island chains. Although your interlocutors will probably not mention China directly, they will likely note that Vietnam welcomes the role of the United States in the region and hopes that the United States will strengthen its relations with the Association of Southeast Asian Nations (ASEAN).

¶12. (SBU) Furthermore, beyond APEC 2006, Vietnam is seeking to play a greater role internationally by joining the UNSC as a non-permanent member for the 2008-2009 term. While this is an aspiration we should encourage, at the same time we should make clear to Vietnam that with a stronger international role comes a responsibility to take responsible stands on certain issues of international concern. To date, Vietnam's "friends with all" foreign policy has dissuaded it from speaking out about Iran, Burma or North Korea, and we have been

HANOI 00002420 003.2 OF 004

encouraging the GVN to stake out a more proactive stance on these and other matters.

#### Human Rights/Religious Freedom

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¶13. (SBU) Your interlocutors may raise the issues of human rights and religious freedom, noting how much progress they have made in responding to U.S. concerns. Indeed, there has been progress, and we have seen slow, but significant, improvements in some previously troublesome regions, such as the Central Highlands. However, Protestants in northern Vietnam and the Northwest Highlands continue to have problems, and the registration of churches and congregations -- a key issue related to Vietnam's designation as a Country of Particular Concern (CPC) for religious freedom violations -- has been too slow.

¶14. (SBU) I hope you will impress upon your interlocutors the importance of keeping up the momentum in the areas of human

rights and religious freedom, particularly in advance of the President's visit. For example, the timeline for making a decision on Vietnam's CPC status is very short now, and the GVN should take advantage of the next 3-4 weeks to spur on progress. At the same time, releasing additional prisoners of concern would grab headlines and send an important message about Vietnam's readiness to address our human rights concerns.

#### Health Cooperation

¶15. (SBU) Our cooperative efforts to prevent and treat HIV/AIDS and Avian Influenza have become major pillars of the bilateral relationship, and your interlocutors will likely offer thanks for our support in these areas. They may also seek further assistance. You may also be asked to address Vietnamese concerns about "war legacy" issues, such as Agent Orange/dioxin. While the need for a better understanding of the science remains, we are working to find acceptable and appropriate ways to approach this matter, focusing on remediation of dioxin's impact on the environment in areas of high concentration, which are limited to a small number of former storage sites, not broad areas of the countryside.

#### Assistance, Bilateral Cooperation Continue to Expand

¶16. (SBU) U.S. assistance to Vietnam is becoming as varied as the many areas in which our two countries cooperate. In addition to working with Vietnam to combat HIV/AIDS and Avian Influenza, other highlights of our assistance and cooperative programs are:

-- USAID is supporting Vietnam's transition to an open market economy by strengthening trade liberalization, particularly the legal and trade reforms needed to implement commitments in the U.S.-Vietnam Bilateral Trade Agreement and WTO accession through a USD three million program. This program has been especially effective at ensuring Vietnam's changes to its legal code are creating an investor-friendly environment.

-- Our disability assistance of USD 3.5 million focuses on key vulnerable groups, including victims of war injuries, disabilities and disasters.

-- We support Vietnam's counterterrorism capacity with police training provided by the International Law Enforcement Academy (ILEA) in Bangkok and through military exchanges. We are seeking to expand bilateral cooperation to combat trade in illegal narcotics. We also support anti-trafficking programs run by NGOs operating at the borders of China and Cambodia. Furthermore, we provide assistance in humanitarian demining, clearance of unexploded ordnance and measures to enhance the security of our trade.

-- Finally, through a combination of Fulbright grants and the Vietnam Education Foundation (VEF), the United States sponsors over 100 students yearly for graduate study in the United States, primarily in science and technology. The Fulbright program is the second largest in Asia. The VEF was established with the unpaid proceeds of loans extended to the former South Vietnamese government.

#### The Media

¶17. (SBU) There will be media interest in your visit, and

HANOI 00002420 004.2 OF 004

reporters will be eager to seek opportunities to meet with you. All domestic media in Vietnam are under the control of the Communist Party and its censors. Aside from Agent Orange and occasional anniversary events surrounding the Vietnam War, media coverage about the Mission's activities is

positive and extensive. There is a small corps of international press situated in Hanoi, including Reuters, TIME, Associated Press, Boston Globe, NHK, Agence France Press and National Public Radio. A burgeoning online news community and web bloggers are increasing the quality and content of information distribution in the country.

#### Defense and Other Cooperation

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¶18. (SBU) Our mil-mil cooperation remains modest but positive. Secretary of Defense Rumsfeld recently had a productive visit to Vietnam, and two U.S. Navy ships made the fourth port call to Vietnam since 2003 in early July. Under the International Military Education and Training (IMET) Program, two Vietnamese officers are now studying English in the United States. This program is seen by the GVN as an important part of their preparations for participation, at some undetermined future date, in peacekeeping activities. In other areas, we have a nascent nonproliferation cooperation program composed primarily of building capacity among Vietnamese officials. In this regard, we are seeking Vietnam's agreement to convert the fuel at its reactor to low enriched uranium.

#### Fullest Possible Accounting

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¶19. (SBU) We continue to have good cooperation with the Vietnamese in the fullest possible accounting of our personnel missing from the war, but there are a number of issues we would like to see concrete progress, including underwater recovery operations and archival access. It would be useful for you to thank your interlocutors for Vietnam's continued cooperation to date and express the USG's hope for further assistance in the future.

¶20. (SBU) In closing, I want to thank you for coming to Vietnam. We have important U.S. national interests to protect and promote here, and your visit will prove important in this regard. It will not only help to lay the foundation for a successful visit by the President, but will also spur on continued progress in our bilateral ties. This will ensure that the U.S.-Vietnam relationship in 2007 and beyond will be the full expression of the friendly partnership that is now coming into view. We look forward to welcoming you, and stand ready to assist you in any way necessary in order to ensure a successful visit that furthers U.S. goals and interests in Vietnam.

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